

Message Text

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ORIGIN COME-00

INFO OCT-01 AF-10 IO-13 ADP-00 AGR-20 CEA-02 CIAE-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

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FM SECSTATE WASHDC

TO USMISSION GENEVA

INFO AMEMBASSY PRETORIA

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E.O. 11652N/A

TAGS: SA, GATT, ETRD

SUBJECT: ARTICLE XXVIII NEGOTIATIONS WITH SOUTH AFRICA

REF : GENEVA 3668

1. MISSION MAY INFORM SA US WILLING TO ACCEPT SA RECALCULATION (PARA 2 REFTTEL) INPAIRMENT FIGURE WITH NEW GAP OF DOLS 8.68 MILLION. US UNDERSTANDS SA WILLING TO CONSULT WITH US ON SUBSTANTIAL SUPPLIER ITEMS IF US DESIRES AFTER SA NEGOTIATIONS WITH PRINCIPAL SUPPLIERS. ANY US AGREEMENT
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TO CONCLUDE NEGOTIATIONS BASED ON SA DATA RECALCULATION

CONTINGENT ON UNDERSTANDING THAT IMPAIRMENT IN SUBSTANTIAL SUPPLIER TRADE NOT COMPENSATED BY FALL OUT BENEFITS FROM SA NEGOTIATIONS WITH PRINCIPAL SUPPLIERS REMAINS OPEN TO US CLAIM.

2. MISSION AUTHORIZED TO MAKE THE FOLLOWING PACKAGE PROPOSAL IN FINAL SETTLEMENT OF US ARTICLE XXVIII NEGOTIATIONS WITH SA. THIS PACKAGE MUST BE CONSIDERED ADDITIONAL TO THOSE ITEMS ALREADY AGREED UPON.

A- US WILL ACCEPT SA OFFER ON RICE (ITEM 10.06.20) OF BINDING DUTY AT 200 SA CENTS PER 100 KG WITH 80 PERCENT TARIFF QUOTA FOR HALF CREDIT.

B. SA WILL GRANT THE US REDUCTIONS AND BINDINGS ON EITHER OF THE FOLLOWING INDUSTRIAL GROUPS:

TRADE				
PRODUCT	VALUE			
TARIFF	DESCRIP-	(DOLS.	PRESENT	US
ITEM	TION	MILLION)	TARIFF	REQUEST
29.35.90	HETEROCYCLIC COMPOUNDS, ETC.	1.9	10 PERCENT	5 PERCENT

34.02.90	ORGANIC SURFACE- ACTIVE AGENTS, ETC.	1.2	20 PERCENT	10 PERCENT
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OR

37.01.90	PHOTOGRAPHIC PLATES, ETC.	1.3	5 PERCENT	FREE
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37.02.90	FILM IN ROLLS, ETC.	2.1	5 PERCENT	FREE
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3. MISSION MAY INFORM SAG THAT IN INTEREST OF CONCLUDING NEGOTIATION US WILLING TO CONFER HALF CREDIT ON RICE OFFER DESPITE CONCERN WHETHER CONCESSION WILL RESULT IN FUTURE LIMITED OFFICIAL USE

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TRADE GROWTH. COMMODITY EXPERTS HAVE EXPRESSED RESERVATIONS AS TO WHETHER SA DEMAND IS PRICE RESPONSIVE. IN VIEW OF MAGNITUDE SA WITHDRAWALS ON INDUSTRIAL ITEMS US BELIEVES IT ESSENTIAL THAT ACCEPTANCE OF RICE OFFER MUST BE DEPENDENT UPON FURTHER CONCESSIONS INDUSTRIAL SECTOR. (AGRICULTURAL WITHDRAWALS REPRESENT LESS THAN 2 PERCENT OF TOTAL WITHDRAWAL/MODIFICATION TRADE.) ABOVE INDUSTRIAL ITEMS HAVE BEEN SELECTED TO ROUND OUT AN ACCEPTABLE

PACKAGE.

4. THE FOLLOWING QUALIFICATIONS PREVAIL RE US ACCEPTANCE OF SA RICE OFFER:

THE US REQUESTS THE SUBSTITUTION OF THE WORDS "MILLED IN SOUTH AFRICA" FOR "IMPORTED" IN THE SA OFFER'S PROPOSED NOTE. IN ADDITION, THE FOLLOWING SENTENCE SHOULD BE ADDED TO THE NOTE: "THIS HIGHER DUTY WILL NOT BE ASSESSED UNTIL IMPORTS HAVE REACHED A LEVEL OF AT LEAST 80 PERCENT OF THE QUANTITY MILLED IN SA DURING THE PREVIOUS YEAR, AND, ONCE A HIGHER DUTY HAS BEEN ASSESSED ON A QUANTITY OF IMPORTS EQUAL TO 20 PERCENT OF THE QUANTITY MILLED IN SOUTH AFRICA DURING THE PREVIOUS YEAR, THE DUTY WILL RETURN TO THE BOUND RATE."

5. THE US UNDERSTANDS THAT RICE GROWN AND/OR MILLED IN SWAZILAND WOULD BE TREATED AS DOMESTIC PRODUCTION AND NOT AS IMPORTS.

6. MISSION IS ALSO REQUESTED CONFIRM WITH SA US UNDERSTANDING THAT SA REMOVAL OF ALL ILLEGAL QRS WILL TAKE PLACE UPON COMPLETION OF NEGOTIATIONS.

7. RE AIR CONDITIONERS (PARA 4 REFTTEL) MISSION MAY INFORM SA THAT US WILLING TO INCREASE VALUE OF MODIFICATION FROM DOLS 702,000 TO DOLS 1 MILLION (I.E. REDUCE IMPAIRMENT ESTIMATE FROM DOLS 1,340,000 TO DOLS 1,042,000) IF SA CONFIRMS US UNDERSTANDING THAT SA WILL REMOVE QR (AND RESTRICTIVE LICENSING PROCEDURE) LIMITING NORMAL TRADE GROWTH IN AIR CONDITIONERS. RUSH

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